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EDO D-5

October 24, 1952

ECONOMIC DEFENSE OFFICERS' MEETING
Paris, November 1952

The China Committee (CHINCOM)
(Appendix: U.S.-Japan Bilateral Agreement)

The attached document on The China Committee, with an appendix concerning the U.S.-Japan Bilateral Agreement, is forwarded for use as background material for the EDO Conference in order that minimum time at the Conference will have to be devoted to background briefings and explanations. This material may give rise to particular questions or comments in the individual missions. It is hoped that such questions and comments will be submitted in writing to the Executive Secretary, c/o Mr. Joseph Slater, SRE, Paris, prior to the opening of the Conference in order that some indication may be had at the outset of the Conference of those subjects on which fuller discussions or special seminars would prove useful to all participants.

Edward G. Platt, Jr.
Executive Secretary

Appendix A: U.S.-Japan Bilateral Agreement
Attachment I: Understanding Between Japan and the U.S.
Concerning the Control of Exports to Communist China.
Attachment II: Interpretative Notes With Respect thereto.

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THE CHINA COMMITTEE (CHINCOM)

The establishment of the China Committee as a major sector of the Paris export control organization is the result of the realization by the CG countries that the existing mechanisms were inadequate to deal effectively with the special economic defense problems arising out of the Korean War, and that, moreover, with the re-establishment of the full sovereignty of Japan, it had become necessary to develop an organizational arrangement wherein Japan might be expected to participate effectively and its support for security trade controls maximized.

Although the Coordinating Committee has concerned itself in the past with security trade controls respecting the Far East and had established a special China Sub-committee, the agenda of COCOM has been heavily burdened with other pressing business, the delegations of the member countries and the Secretariat have been generally insufficiently staffed, and have consisted primarily of personnel whose competence and interest have been in the area of the European Soviet Bloc. The problem of security controls respecting the China area is significantly different from that respecting the rest of the Soviet bloc. The aggression of the Chinese communists in Korea has created an especially urgent situation with regard to strategic trade with China. The situation is different not only because goods of strategic value moving to China are likely to be used more directly and more immediately against the nations of the free world, but also because the moral and political issues involved in trade with Communist China have been heightened by the existence of hostilities in Korea. The United Nations resolution regarding the China trade illustrates this fact.

It must also be recognized that security export controls to China present special problems because of the nature of China's geography and the state of its economic development. China has an ancient tradition of clandestine trading, which has been facilitated by such factors as its long sea coast. The evasion of controls through smuggling and transshipment, therefore, becomes an issue of special significance. The undeveloped nature of the Chinese economy makes it possible that commodities considered not particularly strategic to the European areas of the bloc may be strategic to China.

Although the Japanese Government had assured a United States export control mission in May, 1952, that it would maintain substantially the same level of export controls as it had been maintaining during the latter stages of the Occupation, the pressures within Japan for the expansion of the China trade are well known, and there has been an awareness that Japan would resist the long term maintenance of a disparate level of

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controls from that prevalent in Western Europe. The United States, concerned as it was with security trade controls in the Far East, was faced with a need to bring Japan into an organization wherein the China trade problem could be freshly and vigorously approached and the prospects of broadening multilateral agreement enhanced as a result of intensive study of the China trade situation.

As agreed at the Consultative Group meeting of June 24, 1952, informal meetings were held to work out proposals for associating Japan with the existing security export control efforts. These meetings took place in Washington between July 28 and August 2, 1952, and included representatives from Canada, France, Japan, United Kingdom and the United States. The four Consultative Group nations agreed to recommend that Japan be invited to join CG and COCOM. (At the same time bilateral negotiations were undertaken and completed between the U.S. and Japan on export controls. See Appendix A.)

They also agreed to recommend that on instructions from the Consultative Group, a permanent Working Group to be termed "The China Committee" (CHINCOM), be set up by COCOM for the development of the detailed aspects of security export control policy relating to China as laid down by CG, and for insuring the putting into effect of such policy. Other recommendations were concerned with the delineation of the jurisdiction of the China Committee vis-a-vis COCOM and CG, the types of problems that might be considered, and the terms of membership and participation.

At a meeting of the Consultative Group on September 18-19, 1952, the Japanese Government was welcomed into the organization, and a resolution passed directing COCOM to establish the China Committee. By the terms of this directive, the China Committee is responsible for the development of the detailed aspects of security export control policy relating to China (including communist China, North Korea and such other areas, excluding Soviet territory, as may be agreed) as laid down by CG, and for insuring the putting into effect of such policy. The China Committee may also submit to the CG proposals for changes in policy in the field covered by their general terms of reference, and may institute such studies as they deem desirable on particular problems relevant to their work.

All Consultative Group members may participate fully in the deliberations and decisions of CHINCOM with respect to any issues in which they consider they have a genuine interest. For purposes of speedy and efficient handling of China problems, and in appreciation of the fact

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that some nations feel unable to increase their representation, it was agreed that Canada, France, Japan, United Kingdom and United States would undertake to be permanent members and to initiate the work of CHINCOM. As a result of German insistence on membership it was bilaterally pledged by the U.S. to support full German membership after six months of operations. The Germans are providing a separate permanent delegation to the Committee. This resolved a situation which might have resulted in broadening the membership undesirably. The Committee will select its own chairman, and Secretariat services are to be supplied from the CG Secretariat.

Matters which, while involving China, also have direct application to the Soviet bloc, as a whole, will be dealt with in COCOM. COCOM, or any individual Government of the Paris Group, may propose items for the agenda of CHINCOM. Provision is made for close liaison between the chairmen of the two committees.

The China Committee will refer the results of its work either to COCOM, to CG or to Governments, depending in each case upon the nature of the subject matter and of the Committee's action upon it.

Recommendations of CHINCOM will be circulated to all CG members, and decisions reached in one of the following ways:

1. If no objection is received within a time limit, the recommendations will be regarded as decisions accepted by the whole group.
2. Governments participating in the discussion may agree to become individually bound, either at once or within a specified time, subject to the recommendations being put into force by certain other Governments.
3. Governments participating in the discussion may agree to become bound irrespective of action by other Governments.

Since the Consultative Group meeting, arrangements have been proceeding in Washington for the staffing of the United States delegation to CHINCOM and for the development of a proposed action program for CHINCOM. This program would require CHINCOM to make studies, prepare appropriate recommendations thereon, and propose appropriate action by the participating Governments in the following fields:

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1. The adoption of a commodity control list directed against communist China, North Korea and any other area in the Far East which is engaged in, or may become engaged in aggression against the free world (comprising an embargo list, a quantitative control list, and other appropriate control lists).
2. Adoption of administrative procedures necessary to effective control of the above lists, or aspects thereon, such as parts and components and technical data.
3. Adoption of other controls, such as in the fields of transshipment, shipping, and financial controls, either for direct recommendation to Governments or for coordination with comparable activity of COCOM.
4. Formation of a list, for appropriate action, of items controlled to China, and not to the rest of the Soviet bloc, which are moving from the latter to the former in sufficient quantity to frustrate agreed controls to China.
5. Review and make recommendations concerning exports permitted by non-participating countries which tend seriously to frustrate agreed controls against China.

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Appendix A

United States - Japan Bilateral Agreement

An understanding with respect to the control of exports to China was negotiated in Washington during August. The agreed documents, (attached) initialed for each government September 5, 1952 are:

- (a) Understanding Between Japan and the United States Concerning the Control of Exports to Communist China (Attachment I).
- (b) Interpretative Notes with Respect to the Understanding Between Japan and the United States Concerning the Control of Exports to Communist China (Attachment II).

To implement the requirements of paragraph 3(a) of the Understanding, a task group selected a list of approximately 400 items subject to further technical study and review. The Japanese delegation returned to Tokyo for this purpose and a similar technical review was undertaken in Washington by the appropriate U.S. Government agencies.

The U.S. Embassy in Tokyo has reported the acceptance for embargo by the Japanese Government, of 80 percent of the 400 items and requested additional information and justification on the balance. It now appears that a strong case can be made for some of the remaining items and that a number of items may be dropped from this list by mutual consent and treated under paragraph 3(b) of the Understanding.

Under this agreement the Japanese now will be maintaining stricter embargo and quantitative controls than other CG members, excepting only the U.S. and Canada.

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ATTACHMENT I

UNDERSTANDING BETWEEN JAPAN AND THE UNITED STATES
CONCERNING THE CONTROL OF EXPORTS TO COMMUNIST CHINA

1. The commodities enumerated in any International Control List shall be embargoed.
2. The commodities included in the U.S. Security Lists (including the Battle Act Lists) but not listed in the International Control Lists will continue to be embargoed.
3. The commodities included in the list attached to the existing Export Trade Control Order but not falling under the above-mentioned lists will be controlled in one of the following ways:
 - (a) Until a more definitive determination is made, items which are found to be readily determinable as of strategic significance to Communist China will be embargoed by Japan to Communist China. Where proposed shipments of any such item to China would, in the opinion of the Japanese Government, involve their exchange for items of a character and quantity of such importance to the basic economy of Japan or the defense production programs in the free world, including Japan, as clearly to represent a highly favorable exchange, such transactions would be made the subject of bilateral discussions between Japan and the U.S. prior to any definitive action by the Japanese Government.
 - (b) Until a more definitive determination is made, items which are suspected to be of strategic importance to Communist China or concerning which there is real uncertainty as to the strategic importance to Communist China will be licensed to Communist China only upon the review of individual transactions by the Japanese Government under strict quantitative control and where, in the opinion of the Japanese Government, the goods which are to be received in exchange clearly would contribute to the basic economy of Japan or the defense production programs in the free world, including Japan. The Japanese Government and the U.S. Government will exchange information periodically as to their shipment of goods to Communist China in this category.

(c) Until

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- (c) Until a more definitive determination is made, items which are determined to be of limited if of any strategic importance to Communist China will be licensed for export to Communist China by Japan but within reasonable quantities so as to exclude their use by the Communist Chinese for conversion to direct or indirect military support uses. The Japanese Government and the U.S. Government will exchange information periodically as to their shipments of goods to Communist China in this category.

Washington, D.C.,
September 5, 1952.

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ATTACHMENT II

INTERPRETATIVE NOTES WITH RESPECT TO THE UNDERSTANDING
BETWEEN JAPAN AND THE UNITED STATES CONCERNING THE CONTROL OF
EXPORTS TO COMMUNIST CHINA

1. It is recognized that determinations of strategic significance involve constant review of commodities in their relationship to specific areas under varying conditions. It is understood that neither the U.S. Security Lists nor the International Control Lists as approved or under consideration reflect a detailed technical analysis of the strategic worth of goods insofar as they apply to Communist China, such lists having been developed primarily for application against the more highly developed economies of Eastern European countries which are not in open conflict with free world military forces.

2. In the range of commodities not now covered by U.S. Lists or by any International Control List the earliest determinations of strategic significance respecting China are necessary. It is understood that international (multilateral) consideration involving Japan, the United States and other countries with substantial Far Eastern interests will be begun in order to arrive at determinations with respect to the strategic importance of commodities to Communist China. These discussions should be brought to a conclusion at the earliest possible date.

3. As a preliminary step and to meet the immediate problem facing Japan, the Japanese Government will examine jointly with the U.S. the residual items described above in order to make preliminary and tentative determinations as to their strategic significance respecting Communist China. This examination will begin immediately and be completed at the earliest possible time.

4. With these determinations in mind, the two governments will jointly endeavor to strengthen the international level of controls on exports of items of strategic importance to Communist China.

5. With respect to Paras 1 and 2 of the agreed paper it is understood that the Japanese Government will continue to embargo to Communist China all items on these lists at least so long as there is Communist aggression in the Far East.

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6. With reference to the phrase "until a more definitive determination is made" indicated in paragraph 3(a), (b) and (c) of the agreed paper, it is hereby understood that taking into account any relevant discussions in the China Committee of the COCOM with respect to the list of items which should be controlled to China alone, the United States and Japan, upon the request of either Government, will consult to consider the method and degree of control over the items described in these paragraphs concerning which the China Committee has made no determination within a reasonable period or has made determinations different from those tentatively agreed upon in accordance with these paragraphs. In no event, however, will the Japanese Government be required to take the actions referred to in paragraphs 3(b) or (c) in cases where the COCOM has made determinations different from those tentatively agreed upon in accordance with these paragraphs.

7. In implementing paragraph 3 of the agreed paper it is understood that the following action program will be followed:

- a. For action under para 3(a) the initial list will be composed of the items being considered in COCOM for embargo to China which are not on the International Control Lists or the U.S. Security Lists and such items as the two governments may agree should also be embargoed to China on the basis of an immediate review of the uncovered commodity areas to be undertaken by technicians of the two governments.
- b. The commodities on the Japanese Control List which will not have been covered by the U.S. Security Lists, the International Control Lists or Para a. above will be reviewed by the Japanese Government in Tokyo and recommendations made as to the control of such commodities under para 3(b) and (c). These recommendations will then be discussed between the two governments. During the period of such examination and discussion, the Japanese Government will treat all these commodities under the provisions of paragraph 3(b).

Washington, D.C.
September 5, 1952

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